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March 25, 2013

Hon. Tom Berry
Chairman
Business and Labor Committee
Montana House of Representatives
Helena, MT 59620

Dear Chairman Berry:

On behalf of the US Travel Insurance Association (USTiA), I write to express the USTiA's strong support for the pending limited lines travel insurance producer licensing legislation, and urge its adoption. The legislation would update Montana's producer licensing requirements for travel insurance and does so in a way that provides legislators and regulators with the information you need for good governance, updating the licensing process to reflect the way the marketplace operates today, and, most importantly, protecting consumers.

The USTiA is a national association of insurance carriers, third-party administrators, insurance agencies and related businesses involved in the development, administration and marketing of travel insurance and travel assistance products. USTiA works to assist our members to ensure that travelers have affordable access to travel protection and travel assistance; to educate consumers about travel insurance and related issues; to foster ethical and professional standards of industry conduct; and to inform and assist members with matters pertaining to the industry.

Travel insurance producer licensing is in grave need of modernization. The licensing difficulties and regulatory inconsistencies among the states are driven by a number of underlying factors, reflecting both the realities of the market and the regulatory approaches of the states:

- Non-insurance travel retailers (travel agents) that distribute travel products are not in the business of insurance, nor are they considered so by consumers. In fact, the non-insurance travel retailer's insurance activity is very limited and is not clearly considered "licensable" under state regulatory guidance. Moreover, travel insurance products are rarely, if ever, offered by insurance agents who sell major lines of insurance such as property, casualty, or health coverage.

- The licensed insurance provider (insurer, MGA, administrator) is normally clearly identified in the pre-packaged ancillary insurance materials that are distributed to consumers by the non-insurance travel retailer. These materials are identical or nearly identical to the materials the consumer would get directly from the licensed insurance provider. Moreover, the insurance product is a discretionary buy; it is first party, short-tail coverage; and is offered as an add-on to a retail product or service.
- Consumers and regulators generally treat the licensed insurance provider as the first responder for questions or complaints, including complaints against retail travel agents, which are few. In fact, in 2010 a leading and representative licensed travel insurance provider had **250 complaints out of 6,000,000 policies sold (0.004%)**
- Travel retailers may do business in one state or many; in fact, travel agents cannot reasonably predict the state or states (outside their resident states) in which they might do business – because they could get a call from anywhere for travel services. There are approximately 16,000 travel agent retail locations in the U.S.—nearly 9,000 of which are single location operations. Travel agents average revenue is \$200,000, of which only 1.9% (\$3,800) represents travel insurance.
- There are **41 different licensing qualification codes** to get licensed for travel insurance across the states. Many states do not accept any or the same electronic application. As a result, it commonly takes **6 months to get licensed** to sell travel insurance across the U.S. This makes full compliance nearly impossible in an industry that can suffer high turnover.

Fixing the Problems

The proposed legislation provides a workable solution to resolve the problems and regulatory inconsistencies for travel insurance providers and travel retailers. The legislation would improve consumer protection by requiring clearer accountability and notice to the consumer and regulator with respect to who is responsible for the sale. It also would help bridge the gap between widely accepted regulatory practices in the states and the actual state rules.

The key elements of the legislation include:

- Permitting licensed insurance providers (MGAs, insurers, administrators) to be the licensees for products distributed through non-insurance retailers, if and only if certain consumer protections are met. These protections include:
 - The licensed insurance provider and contact information is identified clearly in marketing and fulfillment materials;
 - The licensed insurance provider registers and does background checks on non-insurance retailers that distribute their products;

- The licensed insurance provider gets agency and DRP licenses;
 - The licensed insurance provider fingerprints its officers and DRPs;
 - The licensed insurance provider distributes reviewable training materials;
 - Important disclosures are provided to consumers.
- If these consumer protections are not met, requiring non-insurance retailers to get licensed separately as a licensed insurance provider.
- Updating the definition of travel insurance, including distinguishing it from coverages provided for longer term military or ex-pat assignments.
- More clearly define licensable and non-licensable activities for those offering limited lines products.

Similar reforms have been adopted in a number of states, and similar legislation is pending in nearly half the states. The legislation is based on a model act adopted by the National Conference of Insurance Legislators (NCOIL) last fall, and uniform licensing standards adopted by the NAIC in late 2010. We urge Montana to enact this important legislation.

Thank you very much for your consideration of the views of UStiA.

Sincerely,

/s/ John P. Fielding

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